Manitoba Farm
Mediation Board

Annual Report
2002-2003

Manitoba

Minister of Agriculture and Food

Room 165
Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

To His Honour
Peter Liba
Lieutenant Governor for
the Province of Manitoba

Your Honour:

I have the honour to submit herewith the Report of the Manitoba Farm Mediation Board for the period April 1, 2002 to March 31, 2003.

Yours truly,

Rosann Wowchuk

Rosann Wowchuk
Minister

Manitoba

Agriculture and Food

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Honourable Rosann Wowchuk
Minister of Agriculture and Food
165 Legislative Building
Winnipeg, Manitoba, CANADA
R3C OV8

Dear Ms. Wowchuk:

In accordance with the provisions of the Family Farm Protection Act, I have the honour to forward to you The Annual Report of the Manitoba Farm Mediation Board for the fiscal year ending March 31, 2003.

Respectfully submitted,

Kenneth Caldwell
Chairperson
Manitoba Farm Mediation Board

TABLE OF CONTENTS

Title	Page
Board Membership	6
Objectives	6
General Comments	7
Activity	7 & 8
Operations	8
Applications For Leave	8
Peer Advisory Panels	8
Application Activities	8 -10
Agreement Registry	11
Guarantees	11
Annual Review of Guarantees	12
Operating Budget	13

BOARD MEMBERSHIP

(as at March 31, 2003)

Name		Address
Kenneth Caldwell	Chair	Rossburn
Gaylene Dutchyshen	Vice-Chair	Gilbert Plains
Don Dewar	Member	Dauphin
Gerry Friesen	Member	Wawanesa
Wayne Jones	Member	Tilston
Bragi Simundsson	Member	Arborg
Fred Embryk	Member	Grandview
Carol Masse	Member	Fannystelle

OBJECTIVES

The Manitoba Farm Mediation Board (the Board) administers *The Family Farm Protection Act* (the Act), the objective of which is to aid farmers in protecting and sustaining their agricultural operations through difficult economic times. The Act was assented to by the Manitoba Legislative Assembly on September 10, 1986.

Under Part 3 of the Act, creditors are required to ask the court for leave before beginning legal action that would result in a farmer losing ownership or possession of farm land. This affects mortgages, liens, judgements, and agreements for sale. The Act allows the Board ninety (90) days to mediate a settlement and provide a report to the court prior to ruling on the leave.

Part 6 of the Act provides for voluntary mediation by the Board through a peer advisory committee. There is no requirement for either party to become involved, and it is not restricted to dealing with loans on farm land.

The Act is a basis for facilitating improved communication between creditors and farm debtors, ensuring that individual farmers receive fair and consistent treatment. Through mediation, alternatives are explored to develop viable financial proposals to the mutual benefit of all concerned.

GENERAL COMMENTS

There were fewer applications for mediation in 2002/03 compared to the previous year (106 vs. 149). This may be partly explained by the fact that net cash income on farms in Manitoba in 2002 is estimated to have increased by 10% compared to 2001 ($1,056 million vs. $961 million). Cash receipts from crops increased while receipts from livestock decreased, and the applications to the Board reflect that. The Board received fewer applications than normal from grain based operations.

Area seeded to wheat and barley declined in 2002 while oat acres increased. The area seeded to various oilseeds including canola, mustard seed, sunflowers, soybeans, dry beans and dry peas increased in response to market conditions. Potato acreage increased as did the area planted in tame hay.

Most livestock numbers remained the same in 2002, however, eggs for consumption, dairy products, honey and PMU horses and embryos increased over 2001.

Overall crop receipts increased by 13% over 2001 while livestock receipts in 2001 were 97% of the year earlier. Manitoba farm expenditures in 2002 were 1% higher than the previous year resulting in the 24% increase in total net income.

While the overall or average net income was positive, many farms continue to face financial challenges in specific commodities as they attempt to diversify or switch to more profitable enterprises. The Manitoba Farm Mediation Board continued with its efforts in 2002 to stay informed of new and existing crop and/or livestock opportunities. The Board works very closely with Manitoba Agriculture and Food staff as well as with the Manitoba Agricultural Credit Corporation and other lenders to assist farmers develop viable options for their farms.

ACTIVITY

Through consultation and mediation with farmers and their creditors, the Board tries to assist farmers in improving their financial situation. The Board reviews individual cases, provides management recommendations, and tries to mediate arrangements that leave farmers with a viable plan.

The Board also provides loan and lease guarantees, if necessary, to assist with mediated settlements. The provision and annual renewal of a guarantee is based on a viable financial plan, and an agreement from the farmers to meet performance conditions including budgeting, record keeping, risk management and proactive financial planning. The Board annually reviews the farm's progress in efforts to ensure the farm remains viable and that the performance conditions are met.

In 2002/03 the Manitoba Farm Mediation Board plans to continue to:

- receive and provide mediation services on Applications for Leave to Foreclose and on applications for a Peer Advisory Review,

- consider new guarantees of loan and lease payments and/or security, in order to facilitate completion of mediated settlements,
- review and consult on the financial progress of farmers that have existing guarantees, and to consider renewals of existing guarantees, and
- conduct regular meetings to consider the provision of guarantees and to improve upon the effectiveness and efficiency of the mediation process.

OPERATIONS

APPLICATIONS

Part 3: Applications For Leave

One of the Board's functions is to become involved in foreclosure proceedings. Under Part 3 of the Act, a lender who intends to foreclose on farmland must make application to the Court of Queen's Bench to obtain Leave to Foreclose. Copies of the application must be served upon the farmer and the Manitoba Farm Mediation Board within 30 days. The Board then has up to 90 days to analyze the case, conduct mediation with the farmer and lender in the pursuit of achieving an alternative to foreclosure, and to prepare a report for the Court.

Part 6: Peer Advisory Panels

Under Part 6 of the Act, a farmer or a creditor may apply to the Board to have a Peer Advisory Panel review the financial arrangements between the farmer and any or all of the creditors of the farmer. The purpose is to derive a suitable financial plan or to arrange for payment to the creditors, without mediation having to be initiated by legal proceedings.

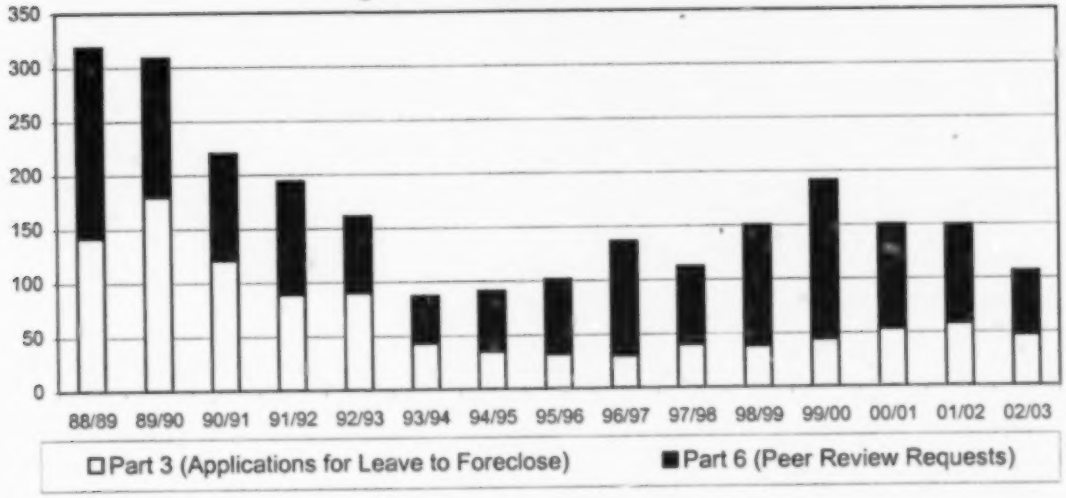
In 2002/03, the Board received 106 applications, representing 101 different farms. Since its inception, the Board has received 2,813 applications representing approximately 2,016 farms.

The number of applications decreased in 2002/03, to the lowest level since 1995/96 (see Table 1 and Figure 1). Most of the decrease was in the number of Part 6 applications.

TABLE 1 – Applications Received

	1996/ 1997	1997/ 1998	1998/ 1999	1999/ 2000	2000/ 2001	2001/ 2002	2002/ 2003
Part 3	30	40	38	44	53	58	47
Part 6	106	72	112	147	97	91	59
Total	136	112	150	191	150	149	106

Figure 1 - Applications Received



The Board keeps track of the agricultural region each farm involved is based in. There are four regions defined by Manitoba Agriculture and Food. In 2002/03 there was no significant difference in the rate of applications from each region, compared to the long-term average (see Table 2).

TABLE 2 – Location of Farms Involved in Mediation

Agricultural Region	02/03		Total, 87/88 - 02/03	
	No.	% of Total	No.	% of Total
Central	18	17.8%	446	22.1%
Eastern/Interlake	28	27.7%	492	24.4%
Northwest	23	22.8%	442	21.9%
Southwest	32	31.7%	636	31.5%
Total	101		2,016	

When the information is available, the Board records the type of farm involved in mediation based on the largest source of gross income at the time the case is opened. There was a drop in the number of farms becoming involved with the Board that rely on cash crops for the majority of their gross income. There was an increase in the rate of applications from hogs and beef cattle, as well as farms that obtain the majority of their income from off-farm employment (see Table 3).

TABLE 3 - Type of Farms Involved in Mediation

Largest Source of Gross Income	02/03		Total, 97/98 - 02/03	
Beef Cows	15	23%	125	20%
Feeder Cattle	1	2%	14	2%
Hogs	16	25%	65	10%
Other Livestock	4	6%	36	6%
	36	55%	240	38%
Grain/Oilseeds	10	15%	264	42%
Forage	1	2%	10	2%
Other Crop	1	2%	13	2%
	12	18%	287	46%
Off Farm	17	26%	97	16%
Custom Work	0	0%	3	0%
	17	26%	100	16%
Total	65	100%	627	100%
Unknown/Not Recorded	34		143	
Grand Total	99		770	

MEDIATION RESULTS

The Board measures the effectiveness of mediation by recording the results at the conclusion of each case. The case is closed when a settlement is achieved or when the panel chair determines that a settlement is not possible at that time. All applications received while a case is open are considered part of the same case, so a single case may have more than one application.

The mediation process in 2002/03 resulted in settlement of approximately 70% of cases (see Tables 4 and 5). This is consistent with the settlement rate in the previous year.

TABLE 4 – Case Activity

	2000/01	2001/02	2002/03
Carryover from previous year	78	72	58
New cases opened	136	138	99
Total for Mediation	214	210	157
Cases Completed	142	152	109
Mediation in Progress	72	58	48

TABLE 5 – Settlements Achieved

	2000/01	2001/02	2002/03
Cases Completed	142	152	109
Mediation not required*	43	48	35
Mediated	99	104	74
Settlements achieved	82	73	52
	(83%)	(70%)	(70%)

* includes withdrawn and deferred applications.

AGREEMENT REGISTRY

The Act requires the Board to maintain a registry for agreements made between farmers and their creditors without the participation of the Board. Agreements reached by the Board are kept on file and are not entered in the Agreement Registry. There have been 25 agreements registered since inception of the program. There were no new agreements registered in the Agreement Registry in 2002/03.

GUARANTEES (SPECIAL FARM ASSISTANCE FUND)

The Special Farm Assistance Fund, delivered through five programs, is designed to enable a farmer to obtain the necessary financing or lease to complete a debt settlement and continue farming. It provides a safety net to farmers who can demonstrate viability but may still be vulnerable to negative financial changes in the short term after debt settlement. These programs are provided on a guarantee basis and cover future shortfalls for up to four years.

Before a guarantee is provided, the Board attempts to ensure all factors are considered in devising a viable plan. Once a guarantee is in place, the Board annually reviews the farmer's progress, recommending adjustments when necessary and discusses major financial transactions with the farmer before these transactions are made. The annual reviews include a detailed financial analysis and assistance to the farmer to develop and maintain a financial management record system.

Repayment is only required if a farmer sells his farmland within 5 years of assistance being provided and is limited to the amount of equity in the land. This is secured by placing a caveat on the farmer's land.

The five programs are:

		Maximum Guarantee
Program 1	Guarantee of Loan Payment	$10,000 per year
Program 2	Guarantee of Lease Payments	$10,000 per year
Program 3	Guarantee of Security Value	$40,000
Program 1:3	Combination of Programs 1 & 3	$40,000
Program 4	Emergency operating assistance	$10,000

During the 2002/03 fiscal year, the Manitoba Farm Mediation Board approved guarantees for 9 farm clients for a total of $262,000 (see Table 6).

TABLE 6 - Guarantees Approved in 2002/03

Year Payment Due	Program 1	Program 2	Program 1:3	Program 3	Program 4	Total
2002/03	$0	$0	$0	$0	$18,000	$18,000
2003/04	$48,500	$10,000	$10,000	$0	$0	$68,500
2004/05	$48,500	$0	$10,000	$0	$0	$58,500
2005/06	$48,500	$0	$10,000	$0	$0	$58,500
2006/07	$48,500	$0	$10,000	$0	$0	$58,500
TOTAL	**$194,000**	**$10,000**	**$40,000**	**$0**	**$18,000**	**$262,000**
No. of Farmers	5	1	1	---	2	9

Annual Review of Guarantees

In 2002/03, 49 farms with a total of 52 guarantees were reviewed as required by the program guarantee guidelines. Of these, 40 farmers were able to meet their financial obligations without calling on the guarantee. The province was required to make partial or full payment on the guarantees for the other 9 farms during the year for a total of $55,639. As a percentage of the outstanding liability, payments were lower than in 2001/02, but approximately equal to the average of the past four years (see Figure 2 and Table 7). The percentage had been rising due to a lower use of Program 3 guarantees by the Board, which entail a lower risk of claims.

The Board did not receive any funds from the producers under the repayment terms of the guarantees in 2002/03.

FIGURE 2 - Guarantee Liability/Payments Made

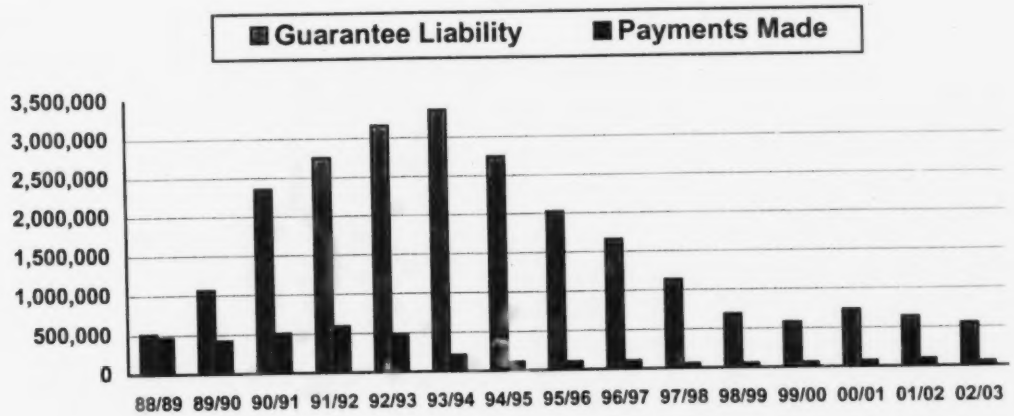


TABLE 7 Guarantee Liability vs. Payments Made

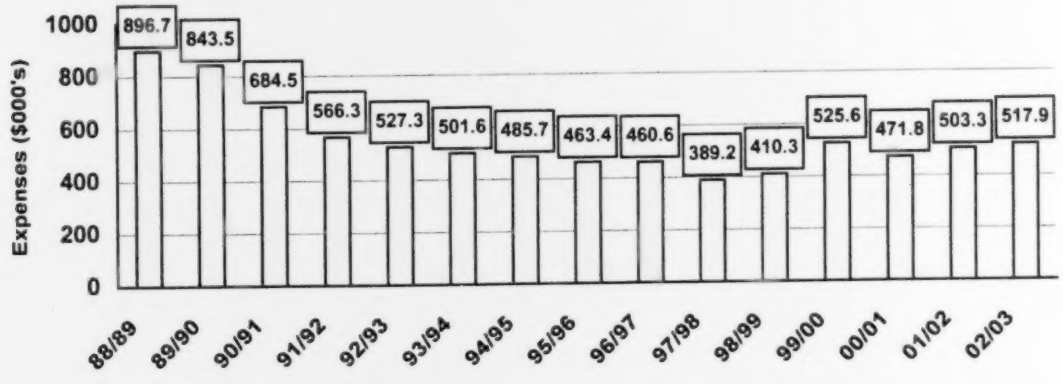
Year	Guarantee Liability	Payments Made*	% Paid
2002/03	$546,247	$55,639	10.2%
2001/02	$634,431	$95,019	15.0%
2000/01	$726,954	$72,509	10.0%
1999/00	$577,859	$58,481	10.1%
1998/99	$686,182	$56,069	8.2%
1997/98	$1,134,274	$58,271	5.1%
1996/97	$1,657,006	$101,700	6.1%
1995/96	$2,020,137	$107,989	5.3%
1994/95	$2,741,245	$106,291	3.9%
1993/94	$3,354,264	$205,457	6.1%
1992/93	$3,159,969	$478,733	15.1%

* Total payouts. Since 1987, the Board has also been repaid a total of $153,637 under provisions of the guarantee agreements.

OPERATING EXPENSES

The Manitoba Farm Mediation Board's operating budget is, for the most part, used to cover the costs of mediation on applications and administration of the guarantee programs.

FIGURE 3 Administrative Expenses



Includes 10% post-consumer waste